GOVERNMENT OF INDIA
FOOD PROCESSING INDUSTRIES
LOK SABHA

UNSTARRED QUESTION NO:2737
ANSWERED ON:10.03.2003
DISINVESTMENT OF MODERN FOOD LIMITED
SATYAVRAT CHATURVEDI;SUNDER LAL TIWARI

Will the Minister of FOOD PROCESSING INDUSTRIES be pleased to state:

(a) the date on which the Modern Food Industries Limited was soldout to the Hindustan Lever Limited alongwith theterms and conditions thereof;

(b) the present market valuation of the assets of the Modern Food Industries Limited;

(c) whether the said private company is trying to close down the Modern Food Industries by declaring it a sick unit;

(d) if so, whether the Government would allow the employees of the above industry to run the company on cooperative basis before allowing closure of the company; and

(e) if not, the reasons therefor?

Answer

THE MINISTER OF STATE OF THE MINISTRY OF FOOD PROCESSING INDUSTRIES (SHRI N.T. SHANMUGAM)

(a): Government of India disinvested 74% of its share inthe Modern Food Industries (India) Limited on 31.1.2000 in favour ofM/s Hindustan Lever Limited. The balance share held by Government of India was disinvested on 29th November, 2002. The salient terms and conditions are given in the Annexure.

(b): Present market valuation of assets has not been done.

(c): No, Sir.

(d) & (e): In view of above, the question does not arise.

ANNEXURE

ANNEXUREREFERREDTO IN REPLY TO PART(a) OF LOKSABHA UNSTARRED QUESTION NO. 2737 FOR ANSWER (10th MARCH, 2003

(a) HLL to make a payment of Rs. 105.45 crores to GOIas consideration for the purchase of 91,779 equity shares of Rs. 1000/- each of MFIL, known as purchased shares.

(b) HLL to invest Rs. 20.00 crores in the Company by way of subscription to 17,408 equity of Rs. 1000/- each of MFIL, known as contribution shares. The total of purchased shares and contribution shares shall come to 74% of the total issued share capital of MFIL

(c) There is a provision for Post Closing Adjustments on account of movement of networking capital amount and debt amount as on the date of closing as on 31.1.2000 vis-a-vis the amounts of these two elements as on 31.3.1999 i.e. date of last balance sheet as on 31.3.1999 based on which the bidders had quoted their bids.

(d) There is provision for indemnification, both the purchaser and seller resulting from any breach by Government/Purchaser of any representations/warranties/covenants/agreements or obligations contained in the SPA/SHA.

(e) There is a provision for adjustments/payments for other post closing covenants like undisclosed assets, tax liabilities, litigation claims and certain accounts receivable.

(f) There is a provision for employees in the following manner:

"through the 1st anniversary of the date of this Agreement, any dismissal or termination of employees of the Company from their employment may be undertaken only in accordance with the applicable staff regulations and standing orders of the Company or applicable law, provided however, that no retrenchment of an employee through the 1st anniversary of the date of this Agreement shall be undertaken unless the affected employee is given benefits that are equal to or exceed the Maximum Benefits" The first anniversary of the Agreement expired on 31st January, 2001. It may be stated here that there has been no retrenchment of any employee in MFIL so far, and this clause has been fully complied with.